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May 27, 1998

**CERTIFIED MAIL  
RETURN RECEIPT REQUESTED**

Thomas D. Pitts  
Claims Supervisor  
Reinsurance Ceded and Run-Off Division  
Highlands Insurance Group  
10370 Richmond Avenue  
Houston, TX 77042-4123

**Re: Potential Claim for Environmental Damage  
in the Coeur d'Alene Basin, Northern Idaho  
Insured: Group R Co., Inc.  
Claim Nos.: 662990 through 662994  
Policy Nos.: SR 40606 (8/31/80 - 2/1/82)  
SR 40804 (2/1/82 - 10/1/82)  
SR 40914 (10/1/82 - 10/1/83)  
SR 41120 (10/1/83 - 10/1/84)  
SR 41516 (10/1/84 - 10/1/85)**



Dear Mr. Pitts:

As you know, this firm represents Group R Co., Inc. ("Group R") in connection with the above-referenced matter. As we informed you in our notice letter, on or about August 29, 1997, the United States Department of Justice (the "United States") and the Coeur d'Alene Tribe (the "Tribe") filed motions in the United States District Court for the District of Idaho seeking leave to amend their complaints to add Group R as a defendant and seeking contribution pursuant to CERCLA toward the cleanup costs of the Coeur d'Alene mining district in Northern Idaho as well as Natural Resource Damages. Accordingly, we notified you of this claim.

On March 31, 1998, Judge Edward L. Lodge denied the United States' and the Tribe's motions to amend their complaints to add Group R as a defendant without prejudice to the plaintiffs' right to re-file their motions at a later date. A copy of Judge Lodge's Order is enclosed for your review and records. Consequently, Group R is not being added as a defendant at this time.

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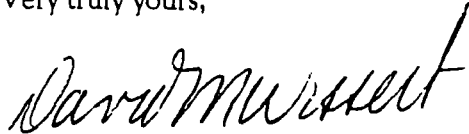
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If you have any questions, please do not hesitate to contact me or Michael David Lichtenstein of this office.

Very truly yours,



David M. Wissert

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Enclosure

cc: Michael David Lichtenstein, Esq.

GRP "R" CDA dm - 0253



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